

### SUMMARY

- P. 2 AGRICULTURE: Price freeze and special anti-surplus measures  
The Commission's proposals for the 1986-87 agricultural year.
- P. 3 SOCIAL: Europe extends to family allowances also  
Europe's judges strike down discrimination against "foreigners".
- P. 4 EASTERN EUROPE: Restarting the dialogue with COMECON  
The Twelve prepared to establish official relations with the East European Common Market.
- SOCIAL FUND: A final allocation of 120 million ECU for 1985  
The last allocations of European social aid for 1985.
- P. 5 INDUSTRY: Using R & D to revive declining industries  
BRITE, the EC's research programme, becomes a reality.
- P. 6 YOUTH: "YES" to an exchange program for 80,000 young people  
The Commission wants 80,000 young people to discover Europe.
- P. 7 ECONOMY: Poor competitiveness + economic nationalism = unemployment  
Why the crisis has hit Europe harder than the United States or Japan.
- P. 8 UNEMPLOYMENT: The Commission recommends positive action for the disabled  
The Commission asks the Twelve to help the disabled jobless.
- SOCIAL: Readaptation aid for workers in coal and steel industries  
215 million ECU in 1985 for 67,000 workers.
- P. 9 CONSUMERS: Concentrated butter - the housewife's choice?  
10,500 tons of the "new look" butter sold in six weeks.
- VAT: Encouraging the use of recycled material through VAT exemptions  
A Euro-MP wants VAT exemptions for recycled material.

AGRICULTURE: Price freeze and special anti-surplus measures

A price freeze and more effective measures against agricultural surpluses. This, basically, is what the European Commission has proposed to the Twelve for the 1986-87 agricultural year in an attempt to square the circle - reduce the food mountains even while preventing a sharp fall in farm incomes.

For several years now European farmers have been producing far more than they can sell under normal conditions. While the EC is largely self-sufficient for most farm products, world export markets are shrinking because of falling purchasing power in many Third World countries and increased international competition, especially from American farmers.

The guaranteed prices in force in the EC, which are above world prices, have long encouraged European farmers to produce more each year. But the large stocks that have been built up amount to a time bomb for European agriculture, according to the European Agricultural Commissioner, Frans Andriessen.

A Commission that was concerned only with economic efficiency and good management would have no choice but to propose draconian price cuts in order to bring European agriculture into line with the world market. But such a policy would mean a sharp fall in Community farm incomes. The Commission does not want, however, European farmers to be confronted with the problems facing American and Canadian farmers whose incomes fell last year by 20% and 15% respectively.

Hence the Commission's proposal for a freeze on the ECU prices of nearly all products, in accordance with the decision taken last year by the Community's agricultural ministers. Only in the case of hard wheat, butter and olive oil, three products in substantial surplus in the 12-nation EC, has the Commission proposed reductions of 4 to 5%.

The Commission feels that it must both retain the coresponsibility levy on milk and extend it to cereals. As regards beef, it would be bought in at guaranteed prices only exceptionally. The Commission wants smaller farmers treated more favourably, however, and will shortly submit proposals aimed at helping them adjust to the market's requirements.

SOCIAL: Europe extends to family allowances also

European immigrants working in France can hereafter claim the allowances paid to French families, even if their own families live in another European Community country. This, in substance, is the outcome of a recent ruling of the EC's Court of Justice in Luxembourg.

The first person to benefit from it is Pietro Pinna, an Italian worker living in the French Savoy. He has won satisfaction after years of battling with the French social security system in French courts.

Mr Pinna works in France, where he pays taxes and the social security premium. His wife and two children normally live with him but were in Italy for a 6-month period some years ago. It was for precisely this period that Mr Pinna's local social security office refused to pay the usual allowances to his two children, on the grounds that it was up to the Italians to make the payment (at the lower Italian rates, incidentally). The reason: Mr Pinna is not French and his children, having spent more than three months in Italy, cannot be regarded as resident in France.

Ironically, the French officials based their decision not on any French law but on a Community regulation. The fact is that as the EC Council of Ministers has never been able to agree on how workers in Mr Pinna's situation are to be dealt with, the Community is forced to make do with a 1971 regulation which tries to coordinate, but only up to a point, the various national schemes.

The Community regulation makes a distinction between workers whose families live in another member state, on the basis of whether they are covered by French social security or that of another European country. Were Mr Pinna to work in another member state than France - say Belgium - his children would be entitled to the allowances paid to Belgian children.

The Court has taken the view that the regulation in question discriminates in practice between workers on the basis of nationality, given that the worker whose family lives in another Community country is considered an immigrant worker as a general rule. The Court has therefore ruled this discriminatory provision to be invalid under the Treaty of Rome, the EC's "constitution".

EASTERN EUROPE: Restarting the dialogue with COMECON

The 12-nation European Community is not the only regional organization in Europe; the 10-nation Council of Mutual Economic Assistance, better known as COMECON, is another. Its members include the Soviet Union, other East European countries, Mongolia, Cuba and Vietnam.

The EC has now informed COMECON of its readiness to resume their dialogue, with a view to establishing official relations between them. The problem has been partly institutional. COMECON sees itself as the East European equivalent of the European Community - which it clearly is not, if only because it has no common commercial policy, for example.

COMECON conceded the point last September, when it proposed a joint declaration establishing official relations with the EC on the basis of their respective areas of competence. In its reply the Community has now agreed to talks as requested by COMECON's Secretary, Mr Sytchov, in September.

But the Community has also written to each of the seven East European members, proposing a normalisation of their relations. As the European Commissioner for External Relations, Willy de Clercq noted, a global approach is necessary. While the EC is prepared to establish official relations with COMECON, given its limited nature the Community also wants to develop its relations with the European members of COMECON individually.

SOCIAL FUND: A final allocation of 120 million ECU for 1985

The European Commission has allocated another 46 million ECU\* from the European Community's Social Fund to help the under-25s, including young people living in some of the less-favoured regions. At the same time it has approved another 74 million ECU for measures aimed at helping those over 25.

The 120 million ECU represent the final allocation for 1985 from the Social Fund. It was made possible because of repayments by member states during the course of the year and unspent appropriations in 1985.

Under the Social Fund's rules, 75% of its resources should be earmarked for measures to help the under-25s. Another rule stipulates that 40% of the total resources must be used in the Community's less-favoured regions. With the entry of Spain and Portugal this figure has been raised to 44.5%.

\* 1 ECU = UK£ 0.65 or IR£ 0.71.

INDUSTRY: Using R & D to revive declining industries

They were called the sunset industries - steel, textiles, shipbuilding ... They were at the heart of the first industrial revolution and were being written off in recent years as declining, fit only for the newly industrializing countries.

But the declining industries are staging a come-back, thanks to lasers, micro-chips and other advanced technologies. A few years ago the European Community's Industries Commissioner bluntly declared that there were no declining industries, only industries which the new technologies had neglected.

A year ago the Community launched BRITE, an acronym for Basic Research in Industrial Technologies for Europe. The first research contracts under it will be signed very shortly. Before long, as many as 95 projects, out of some 560 received by the European Commission from industrial firms, research centres and universities, will begin taking shape.

The Community's initiative will give both impetus and backing to the attempts already being made to inject new technology into industries which private investors were beginning to turn their backs on. Take garment manufacturing, for example.

Under the BRITE program three institutions - an Italian manufacturer, a French research centre and a British university - are joining forces to develop a computer-controlled, flexible sewing centre (not sewing machine) which can carry out all the operations needed to produce a garment. Other BRITE-sponsored projects involve the use of high technology in the manufacture of products from flexible materials generally - not only textiles but also leather and plastics.

Many traditional industries involve metal bashing. Nine different organizations, including several motorcar and aircraft manufacturers, have joined hands on a project using lasers to weld sheet metal. A project to study friction in internal combustion engines is being undertaken jointly by one Italian, two British and four French partners.

The focus is on "precompetitive" research, the stage between basic research and commercial development. The EC is contributing 125 million ECU\* over the period 1985-88, with those whose projects have been selected putting up an equal amount. The next call for proposals will be made this spring.

\* 1 ECU = UK£ 0.65 or IR£ 0.71.

YOUTH: "YES" to an exchange program for 80,000 young people

Some 80,000 young people will be able to discover another member state of the European Community than their own if the EC's Council of Ministers makes available the 30 million ECU\* the European Commission needs to implement its Youth Exchange Program (YES), which the new European Commissioner for Social Affairs and Education, Manuel Marín, presented to the press recently.

So far most beneficiaries of youth exchanges between countries of the EC come from more privileged backgrounds. Such exchanges, moreover, are largely limited at present to the U.K., France and Germany.

For several years the Community has been organizing European programs aimed at young people of very diverse social and geographical backgrounds. But their impact has been rather limited. In 1985, only 1,400 young people were able to stay in another country under the third exchange program for young workers. And only 2,000 young people have been able to take part in study programs abroad financed by the Community.

The European Commission therefore wants to launch an ambitious exchange program, one that would allow some 80,000 Europeans between the ages of 16 and 25 to spend at least a week in another EC country - or even longer in youth work camps. The program would run for three years (1987-89) and cost some 30 million ECU.

YES would help 600 youth workers make study visits abroad and also help finance 150 vocational training projects. Support would also be forthcoming for youth organizations and national exchange agencies.

The Commission wants the young people to come from as varied social, economic and cultural backgrounds as possible. It also wants a large geographical diversity and to favour regions in which youth exchanges are largely unknown. The goal: make young people aware of the European dimension to their lives.

\* 1 ECU = UK£ 0.65 or IR£ 0.71.

ECONOMY: Poor competitiveness + economic nationalism = unemployment

Between 1972 and 1983 net employment\* in the European Community rose by 60,000. During this same period net employment soared by 19 million in the United States and by 6 million in Japan - largely because their industries are more competitive in the high technology sectors. While these two countries have been forging ahead, EC member states have been wasting a part of their resources because of a determination to go it alone all too often.

This is how a recent Study by the European Commission seeks to explain the economic crisis which resulted last year in an unemployment rate of 11.2% for the Community, as compared to 7.3% for the United States and only 2.5% for Japan.

In the expanding industrial sectors, i.e. those which are the most closely linked to the new technology, the EC has done less well than its American and Japanese competitors. Europeans therefore have been buying more and more Japanese and American goods, not to mention those made in South Korea and Hong Kong. The list of their imports includes electrical and electronic products, computers and other information technology products, automated office equipment, precision instruments and chemicals and pharmaceuticals.

European manufacturers, finding it increasingly difficult to export their high technology products, are turning to markets on which there is less competition, such as those of Eastern Europe and the OPEC countries. They are doing well, generally speaking, in the more traditional sectors and where prospects are more modest.

The European Commission has explained this relative absence of competitiveness in terms of production costs and levels of investment. In the advanced industries European production costs, especially wages, are higher than in the United States and substantially higher than in Japan. Europeans have also invested less, in recent years, than their competitors. Investments in Community industries even fell during the early 1980s, and not until 1985 did they recover to 1980 levels.

Low rates of return have acted as a brake on investment and reduced the competitiveness of European enterprises. The relative weakness of European industry has, in turn, held back the expansion of the service industries. The Commission also feels that Europeans have not paid enough attention to innovation: with a population only half as large, Japan spends as much on research as the EC and its member states. Europeans, therefore, must coordinate their efforts better and concentrate research on sectors which are strongly job-creating.

\* net employment = jobs created minus those which have been lost.

UNEMPLOYMENT: The Commission recommends positive action for the disabled

The physically or mentally handicapped should not be discriminated against when it comes to employment and training, as there is a great danger that they will otherwise be left behind as economic recovery gathers momentum, in the view of the European Commission. It believes that if this happens, the attempts by the European Community countries to encourage the social integration of the disabled will fail.

The Commission wants the 12 member states to take positive action in favour of disabled job seekers, who are bearing the brunt of the economic crisis, in its view. It has therefore sent the Twelve a draft recommendation calling both for the elimination of negative discrimination and positive action. This includes the adoption of a code of good practice for the employment of the disabled, who would be protected against dismissal simply because of their disability, for example.

The statistical evidence which the Commission has collected indicates that unemployment among disabled workers is running at twice or even three times the rate for the fit and able-bodied. The average period of unemployment is also longer.

SOCIAL: Readaptation aid for workers in coal and steel industries

The European Commission paid out a record 215 million ECU\* last year towards the readaptation costs for nearly 67,000 workers in the European Community's coal and steel industries. This was some 65% more than in 1984, when the total aid amounted to 140 million ECU and went to some 60,000 workers.

The 1986 budget provides for traditional readaptation aid of 150 million ECU under the European Coal and Steel Community Treaty, plus a further 160 million ECU of "exceptional" aid for social measures in support of restructuring the coal and steel industries. It consists of 60 million ECU for the former and 100 million for the latter.

But before this aid can be paid out the Council of Ministers will have to transfer the necessary sum from the general budget to the ECSC budget. No such decision was taken last year.

Readaptation aid for coal industry workers amounted to 73 million ECU last year, some 43 million of which went to Germany. Aid for workers in the steel industry and iron ore mines came to 142 million ECU. The two main beneficiaries were France (46 million) and Italy (43 million).

\* 1 ECU = UK£ 0.65 or IR£ 0.71.



CONSUMERS: Concentrated butter - the housewife's choice?

Cakes made with concentrated butter don't seem to be the rage as yet, despite its attractive price. Over a 6-week period 10,500 tons of this "Community" butter were sold in half a dozen countries. The Belgians took the lion's share - nearly 5,000 tons. British housewives were more hesitant: they bought a mere 36 tons, while sales to French, Dutch and German housewives were somewhat in between.

The scheme, launched last November as part of the attempt to run down stocks, is to be continued this year. The European Commission has just proposed that 60 million ECU\* be set aside for supporting sales of concentrated butter to the processing industry, which makes it available to the housewife at greatly reduced prices.

This is possible because sales to processors are at a highly subsidized price. Member states are responsible for ensuring that the reduction is passed on to the consumer in full.

VAT: Encouraging the use of recycled material through VAT exemptions

A shortage of raw materials could prove to be the Achilles heel of the modern industrial society. The use of recycled materials is one answer to the problem. Willy Kuijpers, a member of the Rainbow Group in the European Parliament, in fact would like the European Community to encourage the use of recycled material, by exempting them from VAT.

Broadly speaking, only four European Community countries grant such exemptions in the case of transactions involving waste or materials recovered from waste, according to the European Commission. They are Italy, France, the Netherlands and Belgium. In Denmark, local authorities which sell material collected under their recycling programs are regarded as non-taxable persons, so that the question of VAT exemption does not arise for them.

The 1977 Council Directive establishing a common system of VAT does not exempt transactions on recycled materials from VAT, except as a temporary derogation. The Commission wants to see this abolished, and has proposed as much in a Directive on VAT which it sent to the Council of Ministers in 1984.

\* 1 ECU = UK£ 0.65 or IR£ 0.71.